

**PONCHATOULA VOLUNTEER FIRE DEPARTMENT, INC.**

**ANNUAL FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/17/11

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Table of Contents  
December 31, 2010

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	-	1 - 2
Financial Statements:		
Statement of Financial Position - Statutory Basis	A	4
Statement of Activities - Statutory Basis	B	5
Statement of Cash Flows - Statutory Basis	C	6
Notes to the Financial Statements	-	7 - 11
Other Independent Auditor's Reports and Findings, Recommendations, and Responses:		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	13 - 14
Schedule of Findings, Recommendations, and Responses	-	15 - 16
Schedule of Prior Year Findings, Recommendations, and Responses	-	17

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
www.djcpa.com

John N. Durnin, CPA  
Dennis E. James, CPA  
Lyle E. Lambert, CPA

Member  
American Institute of CPAs  
Society of Louisiana CPAs

Paul M. Riggs, Jr., CPA  
Robert W. Thompson, CPA

June 27, 2011

## Independent Auditor's Report

To the Officers of  
Ponchatoula Volunteer Fire Department, Inc.  
Ponchatoula, Louisiana

We have audited the accompanying statement of financial position – statutory basis of the Ponchatoula Volunteer Fire Department, Inc. (a nonprofit corporation) as of December 31, 2010 and the related statements of activities – statutory basis and cash flows -- statutory basis for the year then ended. These financial statements are the responsibility of the Ponchatoula Volunteer Fire Department, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Tangipahoa Parish Fire Protection District No. 2 and the Louisiana Legislative Auditor, which practices differ from generally accepted accounting principles. The effects on the financial statements of the variances between the statutory basis of accounting and generally accepted accounting principles, although not reasonably determinable, are presumed to be material.


In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Ponchatoula Volunteer Fire Department, Inc. as of December 31, 2010, or the changes in its net assets or its cash flows for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Ponchatoula Volunteer Fire Department, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting described in note 2.

Ponchatoula Volunteer Fire Department, Inc.  
June 27, 2011

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, on our consideration of the Ponchatoula Volunteer Fire Department, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs  
(A Professional Corporation)

## **Financial Statements**

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Statement of Financial Position - Statutory Basis  
December 31, 2010

Exhibit A

**Assets**

**Current Assets:**

Cash	\$ 279,373
Accountants Receivable	181,413
Investments - Other	1,178,948
Prepaid Insurance	29,239
Total Current Assets	<u>1,668,973</u>

<b>Total Assets</b>	<b>\$ <u>1,668,973</u></b>
---------------------	----------------------------

**Liabilities and Net Assets**

**Current Liabilities:**

Accounts Payable	\$ 28,710
Payroll Liabilities	1,957
Total Liabilities	<u>30,667</u>

**Net Assets:**

Temporarily Restricted	<u>1,638,306</u>
Total Net Assets	<u>1,638,306</u>

<b>Total Liabilities and Net Assets</b>	<b>\$ <u>1,668,973</u></b>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Statement of Activities - Statutory Basis  
For the Year Ended December 31, 2010

Exhibit B

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>Revenues:</b>			
Rural Fire District No. 2 Contract Fees			
Ad Valorem Taxes	\$ -	\$ 655,414	\$ 655,414
State Revenue Sharing	-	78,159	78,159
Fire Insurance Premium Rebate	-	36,177	36,177
Sale of Fixed Asset	-	2,012	2,012
Interest Income	-	8,619	8,619
Other Income	-	1,159	1,159
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>528,283</u>	<u>(528,283)</u>	<u>-</u>
Total Revenues	528,283	253,257	781,540
<b>Expenses:</b>			
Program Services - Fire Protection			
Advertising	450	-	450
Bank Charges	402	-	402
Capital Outlay	121,448	-	121,448
Conventions & Training	1,137	-	1,137
Dispatch Fees	5,897	-	5,897
Dues & Subscriptions	6,318	-	6,318
Fire Prevention	7,173	-	7,173
Fuel	392	-	392
Insurance	52,730	-	52,730
Lawn Care	3,000	-	3,000
Repairs & Maintenance	66,601	-	66,601
Medical	3,622	-	3,622
Municipal Reimbursement	156,257	-	156,257
Office Expense	1,245	-	1,245
Payroll Taxes	3,592	-	3,592
Professional Fees	5,623	-	5,623
Salaries	33,396	-	33,396
Supplies	36,248	-	36,248
Uniforms	1,218	-	1,218
Utilities	<u>21,534</u>	<u>-</u>	<u>21,534</u>
Total Expenses	<u>528,283</u>	<u>-</u>	<u>528,283</u>
Change in Net Assets	-	253,257	253,257
<b>Net Assets:</b>			
Beginning of the Year	<u>-</u>	<u>1,385,049</u>	<u>1,385,049</u>
End of the Year	<u>\$ -</u>	<u>\$ 1,638,306</u>	<u>\$ 1,638,306</u>

The accompanying notes are an integral part of these financial statements.

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Statement of Cash Flows – Statutory Basis  
For the Year Ended December 31, 2010

Exhibit C

**Cash Flows from Operating Activities:**

Change in Net Assets	\$ 253,257
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by / (Used In) Operating Activities:	
(Increase) / Decrease in Accounts Receivable	53,023
(Increase) / Decrease in Interest Receivable	1,343
(Increase) / Decrease in Prepaid Insurance	(5,423)
Increase / (Decrease) in Accounts Payable	153
Increase / (Decrease) in Payroll Liabilities	<u>817</u>

Net Cash Provided by Operating Activities 303,170

**Cash Flows from Investing Activities:**

Purchase of Certificates of Deposit (609,692)

Net Cash Used by Investing Activities (609,692)

Net Decrease in Cash and Cash Equivalents (306,522)

Cash and Cash Equivalents - Beginning of the Year 585,895

Cash and Cash Equivalents - End of the Year \$ 279,373

The accompanying notes are an integral part of these financial statements.



**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Notes to the Financial Statements  
For the Year Ended December 31, 2010

**Introduction**

The Ponchatoula Volunteer Fire Department, Inc. (the "Fire Department") is a Louisiana nonprofit corporation incorporated on May 29, 1959. Its purpose is to operate exclusively as a volunteer fire-fighting organization to provide fire protection and emergency response services in the City of Ponchatoula, Louisiana and surrounding rural areas. The Fire Department is governed by a board of directors and officers consisting of a chief, a first assistant chief, a second assistant chief and a secretary/treasurer, each of which is elected by the membership.

**1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The Fire Department is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**B. Fund Accounting**

The accounts of the Fire Department are maintained in accordance with the principles of fund accounting whereby resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Externally restricted funds may only be utilized in accordance with the purposes established by the source of the funds and are in contrast with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

The accompanying financial statements present financial resources accounted for in the following fund:

The Rural Fire District No. 2 Current Restricted Fund represents revenue and expenses related to the operation of fire protection and emergency response services in the unincorporated rural areas surrounding the City of Ponchatoula, Louisiana under terms of an agreement between the Ponchatoula Volunteer Fire Department and the Tangipahoa Parish Fire Protection District No. 2.

**C. Restrictions on Net Assets**

The Rural Fire Protection District No. 2 Current Restricted Fund is considered temporarily restricted because under the terms of the contract with the Tangipahoa Parish Fire Protection District No. 2 these funds "shall be expended solely for the purposes of operating, maintaining and/or purchasing of equipment and supplies...and salaries if approved by the Fire District No. 2."

**D. Support and Revenue**

Support consists primarily of contract payments received from the Tangipahoa Parish Fire Protection District No. 2 in the form of ad valorem taxes, state revenue sharing funds and fire insurance rebate funds. The Fire Department receives a percentage of the total funds available to Fire Protection District No. 2 based on a formula contained in the original contract agreed to by all participating fire departments in Tangipahoa Parish. The ad valorem tax allocation is established in January of each year and disbursed by Rural Fire Protection District No. 2 on a quarterly basis. Allocations for the fourth quarter of 2010 are accrued at December 31, 2010. State revenue sharing and fire insurance rebate funds are disbursed to participating fire departments by Fire Protection District No. 2 as the funds become available. As a result,

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2010

ad valorem taxes and interest income are recognized as income in the period earned. State revenue sharing funds, fire insurance rebate funds, and all other revenue are recognized as income when received.

**E. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Department may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**F. Investments**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Department's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Certificates of deposit held for investment that are not debt securities are included in "Investments – Other". Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as other assets.

At December 31, 2010, the Department had \$1,178,948 in certificates of deposit with original maturities exceeding 90 days.

**G. Income Taxes**

The Fire Department is nonprofit and exempt from income taxes under Section 501(C)(4) of the Internal Revenue Code. Therefore, no provision is made for income taxes. However, should the Fire Department engage in activities unrelated to its exempt purpose, taxable income could result.

**H. Fair Values of Financial Instruments**

The Fire Department's financial instruments, none of which are held for trading purposes, include cash and investments in Certificates of Deposit. The following methods and assumptions used by the Fire Department in estimating its fair value disclosures for financial instruments are:

Cash and Investment in Certificates of Deposit: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

**I. Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2010

**J. Statement of Cash Flows**

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

**K. Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be unrestricted and available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Fire Department reports the support as unrestricted.

**L. Concentrations**

The Fire Department received 98% of its revenues during the year ended December 31, 2010, from an appropriation of the Tangipahoa Parish Fire Protection District No. 2. In addition, 100% of accounts receivable at December 31, 2010, were from the Tangipahoa Parish Fire Protection District No. 2.

The Fire Department is leasing all its buildings and equipment from the Tangipahoa Parish Fire Protection District No. 2 at no cost.

Should the contractual relationship with the Tangipahoa Parish Fire Protection District No. 2 cease, it would have an unfavorable impact on the Fire Department.

**2. Basis of Accounting**

The Fire Department follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) in all regards except in the following manner:

One of the objectives listed in the *Not-for-Profit Entities* Topic of the FASB ASC requires that information provided in financial statements to be comprehensive. These financial statements present only the financial information of the Fire Department's Rural Fire District No. 2 Current Restricted Fund and are not intended to be comprehensive in nature. Additional funds are maintained by the Fire Department that are not included in these financial statements. Therefore, these financial statements have not been prepared in accordance with accounting principles generally accepted in the United States of America.

The Louisiana Legislative Auditor has opined that if a volunteer fire department maintains separate funds that contain no state or local governmental funding, these private funds are not subject to examination under the Louisiana State Audit Law. The Fire Department considers its presentation of only the Rural Fire District No. 2 Current Restricted Fund to be a statutory basis of accounting permitted by the Louisiana Legislative Auditor and the Tangipahoa Parish Fire Protection District No. 2.

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2010

**3. Cash and Cash Equivalents**

Cash at December 31, 2010, consisted of the following:

Interest Bearing Demand Deposits	\$ 201,982
Louisiana Asset Management Pool	<u>77,391</u>
	<u>\$ 279,373</u>

**4. Receivables**

Receivables include amounts due from the Tangipahoa Parish Fire Protection District No. 2 at December 31, 2010, in the amount of \$181,413.

No allowance for uncollectible accounts is required at December 31, 2010.

**5. Contract with Tangipahoa Parish Fire Protection District No. 2**

The Tangipahoa Parish Council (the parish governing authority) created the Tangipahoa Parish Fire Protection District No. 2. The Fire Protection District is funded by an ad valorem tax, state revenue sharing and 2% fire insurance rebate to provide fire protection and emergency response services to the rural areas of Tangipahoa Parish.

The Fire Department entered into an agreement with Rural Fire Protection District No. 2 to provide fire protection and emergency response services in the unincorporated areas surrounding the City of Ponchatoula, Louisiana. Funding is provided by an appropriation from Rural Fire Protection District No. 2. Under the terms of the contract with the Fire Protection District, these funds "shall be expended solely for the purposes of operating, maintaining, and/or purchasing of equipment or supplies and salaries if approved by Rural Fire Protection District No. 2." Equipment purchased with monies received from Rural Fire Protection District No. 2 remains the property of the Rural Fire Protection District No. 2 and is not recorded in the accompanying financial statements.

**6. Contract with the City of Ponchatoula, Louisiana**

The Fire Department entered into a three-party contract with The Tangipahoa Parish Fire Protection District No. 2, and the City of Ponchatoula, Louisiana. This agreement set forth the terms and conditions by which funds of the Tangipahoa Parish Fire Protection District No. 2, designated to be paid to the Fire Department for fire coverage, was to be paid to the City of Ponchatoula, Louisiana for salary increases, employer retirement costs, and other associated costs. The associated costs include overtime, FICA, Medicare, and worker's compensation insurance. The City of Ponchatoula, Louisiana will use these funds as a reimbursement as per this agreement. During the year ended December 31, 2010, the Department reimbursed the City \$156,257 charged to Municipal Reimbursement.

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2010

**7. Donated Services and Facilities**

All of the Fire Department's program and supporting services are provided by volunteers. In addition, the Fire Department utilizes an office, two fire stations, equipment, paid fireman, and various administrative expenses at no cost to the Fire Department. No amounts have been included in the financial statements for donated services or facilities since no objective basis is available to measure the value of such services and facilities.

**8. Uncertainty in Income Taxes**

The Fire Department has elected in the fiscal year ended December 31, 2010, to adopt the provisions of FASB ASC 740 (formerly FASB Interpretation 48, "Accounting for Uncertainties in Income Taxes").

The Fire Department files information returns in the U.S. federal jurisdiction. Tax returns prior to the year ended December 31, 2007, are no longer open to U.S. federal examinations. Currently, there are no returns under examination. The Fire Department has taken no tax positions that it considers to be an uncertain tax position.

**9. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 27, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Other Independent Auditor's Reports and  
Findings, Recommendations, and Responses**

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
www.djcpa.com

John N. Durnin, CPA  
Dennis E. James, CPA  
Lyle E. Lambert, CPA

Paul M. Riggs, Jr., CPA  
Robert W. Thompson, CPA

Member  
American Institute of CPAs  
Society of Louisiana CPAs

June 27, 2011

Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

To the Officers of  
Ponchatoula Volunteer Fire Department, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of the Ponchatoula Volunteer Fire Department, Inc. (a nonprofit organization), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Ponchatoula Volunteer Fire Department, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ponchatoula Volunteer Fire Department, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ponchatoula Volunteer Fire Department, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses can be identified. However, as described in the accompanying schedule of findings, recommendations, and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings, recommendations, and responses as item 2010-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings, recommendations, and responses as item 2010-02 to be a significant deficiency.

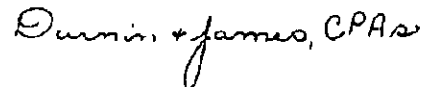
Ponchatoula Volunteer Fire Department, Inc.  
June 27, 2011

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ponchatoula Volunteer Fire Department, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs  
(A Professional Corporation)



**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Schedule of Findings, Recommendations, and Responses  
For the Year Ended December 31, 2010

**Internal Control over Financial Reporting**

**2010-01 – Financial Statement Preparation**

*Criteria:* Internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, are necessary in order for management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis.

*Condition:* As is common in small organizations, management has chosen to engage the auditors to propose certain year-end adjusting journal entries and to prepare the annual financial statements. This condition is intentional by management based on the Fire Department's lack of financial complexity, along with the cost prohibitive nature of acquiring the ability to prepare financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, have not been fully implemented. Under generally accepted auditing standards (GAAS), this condition represents a material weakness in internal controls. GAAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

*Effect:* Management and employees are unable to prevent or detect and correct misstatements on a timely basis in the normal course of performing their assigned functions.

*Recommendation:* We recommend no action be taken.

*Management's Response:* Management has determined that the most cost effective and prudent use of Fire Department funds is to engage the auditor to propose year-end adjustments and prepare the financial statements. As such, no action will be taken at this time.

**2010-02 – Internal Controls Over Payroll Time and Attendance Recordkeeping**

*Criteria:* Adequate internal controls over payroll time and attendance recordkeeping are necessary in order for management and employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements due to errors or irregularities on a timely basis.

*Condition:* During our audit and testing of payroll, we noted that the time and attendance recordkeeping system at one of the fire station consists of only handwritten time sheets prepared by the employee. This rural station is decentralized and separate from the main station where all administrative offices are located. This handwritten time sheet is the only documentation supporting the hours worked by the employees. Also, employees are often alone for their entire shift with no oversight from their immediate supervisor or any other employees.

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Schedule of Findings, Recommendations, and Responses  
For the Year Ended December 31, 2010

*Effect:* Because of the decentralized nature of the time and attendance recordkeeping at this rural fire station, requiring only hand-written timesheets prepared by the employee creates an environment in which errors or irregularities could occur and not be detected in a timely manner by the Fire Chief and officers of the Fire Department.

*Recommendation:* We recommend the Fire Department purchase a time clock to be permanently placed at this rural fire station and require that employees physically punch in and out. This will help to ensure that the employees are physically present at the fire station at the times indicated on the timecard. Timecards should be signed by the employee, reviewed and signed by the Fire Chief, and reviewed by the Fire Department treasurer before preparing payroll.

*Costs and Benefits:* This recommendation can be implemented with minimal costs to the Fire Department and will greatly improve existing internal controls over the payroll time and attendance recordkeeping function at this rural fire station.

*Management's Response:* The Fire Department will take corrective action as necessary as soon as possible. The Fire Department is considering increasing the number of employees at the station which will eliminate the need for a time clock. If the Fire Department does not increase the number of employees, the Fire Department will begin utilizing a time clock system as soon as possible.

**Compliance and Other Matters**

None

**Ponchatoula Volunteer Fire Department, Inc.**  
**Ponchatoula, Louisiana**  
Schedule of Prior Year Findings, Recommendations, and Responses  
For the Year Ended December 31, 2010

<u>Ref. #</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Taken</u>
<b><u>Internal Control over Financial Reporting</u></b>				
2009-1	2009	Inadequate Policy for Paying Call Backs	Yes	A policy limiting the number of firefighters paid for call backs was implemented.
2009-2	2009	Lack of Adequate Documentation to Support Credit Card Charges	Yes	Detailed receipts were kept for all credit card charges.
2009-3	2009	Lack of Segregation of Duties	Yes	Additional duties were assumed by other officers.
2009-4	2009	Department Accountant Cannot Draft Financial Statements	No	Continued as item 2010-01.

**Compliance and Other Matters**

2009-5	2009	Violation of Security for Deposits	Yes	Additional securities were pledged to cover deposits.
2009-6	2009	Code of Ethics for Public Officials and Public Employees	Yes	The individual resigned from their position as assistant Fire Chief.

***Note: This schedule has been prepared by the management of the Ponchatoula Volunteer Fire Department, Inc.***